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DEPARTMENT PLEASE PASS TO OPIC - B BRERETON

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TAGS: [EINV](#) [ENRG](#) [SENV](#) [TRGY](#) [MO](#)

SUBJECT: OPIC-SUPPORTED RENEWABLE ENERGY INVESTMENT  
FUND

REF: STATE 95170

¶1. (U) Summary: Morocco's energy sector is expected to require nearly USD 12 billion of investment in the next six years, including USD 7.6 billion for electricity production. The Kingdom's energy strategy calls for renewable energy to make up one-third of the new production capacity. Moroccan officials welcome foreign investment in the energy sector, and Embassy interlocutors have indicated a need for additional sources of financing. The stated goals of the USRG Emerging Market Fund (reftel) appear compatible with Morocco's energy strategy and development priorities.

#### Energy Requirements -----

¶2. (U) Morocco's Ministry of Energy, Mines, Water, and the Environment forecasts a requirement for approximately USD 11.5 billion in investment in Morocco's energy sector in the next 6 years, including USD 7.6 billion for electricity production. Morocco's national energy strategy, published in March 2009, anticipates adding 6,600 megawatts (MW) of new electricity production capacity by 2020. The strong share of renewable energy projects in the future generation plans (about one-third of total new capacity) appear to align well with the Fund's objectives for investment.

¶3. (U) Ministry of Energy and wind power trade journals variously estimate Morocco's wind generation potential at 10,000 to 21,000 MW. Morocco currently has approximately 300 MW of installed wind generation capacity, with a goal of 1500 MW installed by 2012 and 2200 MW installed by ¶2020. The Ministry of Energy expects to generate 20 percent of the country's electricity supply from wind by 2020.

¶4. (U) Other renewable energy sources under development include hydroelectric (currently 1600 MW installed capacity, and 440 MW programmed for construction), and solar thermal and photovoltaic (PV) (20 MW solar thermal plant under construction, and plans to install 200,000 PV kits for remote households, for a total generation capacity of over 400 MW).

#### Project Financing -----

¶5. (SBU) The National Electricity Office (ONE) has no plans to finance or construct new production facilities itself, preferring to sign power purchase agreements (PPAs) with independent power producers (IPPs), of which two exist already in Morocco (including Morocco's largest power plant, currently owned by an Emirati firm, but previously owned by an American energy company). Moroccan Ministry of Energy and ONE officials have repeatedly stressed to Embassy officers that Morocco invites additional foreign firms to operate IPPs in Morocco, as well as foreign investors to provide the capital necessary to finance power projects. However, foreign firms working in renewable energy in Morocco tell us that in spite of government policies welcoming foreign investors, they have experienced delays in obtaining bureaucratic authorizations required to commence their projects.

¶6. (SBU) Although Moroccan banks are healthy and have not significantly scaled back lending in the global economic downturn, there are a large number of capital-intensive developments in Morocco (in housing, transportation, tourism, and other sectors). This means that Moroccan projects frequently look abroad for financing. Traditional sources, including Persian Gulf-based investors, have dramatically reduced financing since 2007, suggesting that U.S. financing would be welcome here.

¶7. (U) The Mission has no information to add concerning the local reputation of "US Renewables

Group, LLC," the prospective fund manager.

KAPLAN